FREE REFERENCE

Tennessee business taxes, explained for 2026

Small businesses in Tennessee register with the state revenue agency for sales tax, and with the Tennessee Department of Labor and Workforce Development for unemployment tax. Tennessee has no state income tax on wages, a 7% state sales tax and a $7,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** No state income tax on wages for 2026
- **Sales tax.** 7% state rate, about 9.61% combined with local
- **Unemployment.** Employers pay Tennessee unemployment tax on the first $7,000 of each worker's 2026 wages

What taxes does a small business pay in Tennessee?

Most Tennessee businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Tennessee?

Before your first payroll in Tennessee:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Register for unemployment insurance with the Tennessee Department of Labor and Workforce Development. For 2026, the tax applies to the first $7,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
3. Report each new hire to Tennessee's new hire registry, usually within 20 days.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

Do I need a Tennessee sales tax permit?

If you sell taxable goods or services in Tennessee, yes. Register with the Tennessee revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Tennessee's economic

General information, not tax advice for your situation.

nexus threshold.

SALES TAX IN TENNESSEE, MIDYEAR 2026	RATE
State rate	7%
Average local rate	2.61%
Average combined rate	9.61%
Highest local rate	2.75%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Tennessee tax business owners?

Tennessee doesn't tax wages or pass-through business income. Owners still pay federal income and self-employment tax.

Where are Tennessee's tax forms and refund status?

- Tennessee tax forms
- Tennessee revenue agency
- Tennessee Department of Labor and Workforce Development

Every state's links are on our state tax forms page.

Which calculators work for Tennessee?

- Tennessee paycheck calculator: take-home pay after every deduction
- Tennessee income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Tennessee unemployment

Common questions

Do I need a sales tax permit in Tennessee?
Yes, if you sell taxable goods or services there. Register with the Tennessee revenue agency before your first taxable sale.

What is the Tennessee unemployment wage base for 2026?
$7,000. Employers pay Tennessee unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Tennessee have a state income tax?
No, not on wages.

Who runs payroll taxes in Tennessee?
The Tennessee Department of Labor and Workforce Development handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com

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